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Merchant Networks and Brazilian Gold: Reappraising Colonial Monopolies

1. Introduction

In 1737, the receiver-general of Cornwall stated that “now and for many years past the importation of Portugal gold coin hath been so great in Cornwall that very little specie of any other kind is to be met with there” (Boxer 1969: 469). Such a flow of Portuguese gold coins to England reveals much about the English balance of payments surplus with the Iberian Peninsula in general and with Portugal in particular.¹ The question has been dealt with recurrently in the historiography on the subject and is particularly crucial for analyzing the importance of Amsterdam and London in the trading of precious metals, for which there was already a global market in the 18th century (Neal 1990; Flynn 1996).

Since this same global market relied on monopoly rents determined by the State, intended to grant access to strategic goods only to native-born merchants (Buchanan 1980; Ekelund/Tollison 1997), the remark made by the receiver-general of Cornwall underlines both the central importance of the English market and the contradictions generated by such systems of colonial monopoly. Thus, fiscal systems built upon the exclusive right to colonial trade, together with the integration of colonial spaces in international flows, gave rise to a tension that would make illegal trade and smuggling an integral component of the growth in international trade during the *Ancien Régime*. This is also an issue that is fully explored by the historiography of the colonial empires.² However, it is still necessary to come down to the microanalytical level and seek out the business organizations that sometimes opposed and, on other occasions, made profitable use of that

1 For a survey of studies estimating the flows of precious metals and a discussion of available data, see Barrett (1999) and Oliva Melgar (2005).

2 See Canabrava (1944); Moutoukias (1988); Pijning (1997); Oliva Melgar (2005).

indistinct borderline between legal and illegal trade (Moutoukias 1999).

This paper argues that the institutional framework of the 18th century international trade constrained the building of global networks, confining them to that blurred frontier between licit and illicit organizations. It seeks to discover the circumstances under which smuggling guided competitive strategies and led to certain forms of agency that called for multicultural networks. It considers the pattern of Iberian specialization, in which re-exports of manufactures imported from Europe, mainly from England, were used to maintain trade with the colonies. Such a pattern favored the fragmentation of the flows linking Europe and South America, as much as it granted a monopoly rent to the members of the national trading community. Consequently, there was a separation between groups connected to European trade, the so-called “foreigners”, and those who enjoyed the status of being considered “native-born” citizens and dealt with colonial trade. Nonetheless, diplomatic issues arising from the restoration of Portugal’s autonomy from Spain in 1640 allowed for the participation of foreigners in Brazilian trade. More specifically, the English enjoyed much broader diplomatic protection in the Portuguese space than they did in Spain (Prestage 1925; Shaw 1998; Oliva Melgar 2005). Therefore it should be asked how fully such diplomatic advantages were exploited in relation to trade in the South Atlantic. Such a series of questions might help to reveal culturally heterogeneous networks responsible for the effective globalization of commercial flows.

The first section of this article focuses on foreign merchant communities in Lisbon. It assesses the role of these agents in connecting the realm to the European markets and reveals their presence in Portuguese colonial trade, following a strategy that had to rely on multinational networks. The second section looks into the different interests of these trading networks and stresses their activities close to the River Plate, where they operated beyond the limits of legality. It highlights how such potential smuggling organizations may have served as opportunistic proxies of the State’s goals in protecting national monopolies and ensuring the respective fiscal activities. The conclusion will draw upon some of the topics explored throughout the paper, with the aim of stressing the apparently paradoxical relationship between global networks and colonial monopolies.

2. Foreigners in Portuguese trade

In the 18th century, Lisbon and Cadiz re-established their position as the main trading centers for South American products. If, during the last quarter of the 17th century, sugar from Brazil had ceased to overwhelm the international markets, thereby plunging the Portuguese Atlantic empire into an economic crisis, the outbreak of mining activity roused the colony from this lethargy and relaunched the economy on an entirely new basis. At the same time, the diplomatic negotiations imposed by the circumstances of the War of the Spanish Succession reinforced Lisbon's position by forcing Portugal to align with England and Holland. The signing of treaties with England in 1703 (May and December) set the seal on an old alliance and guaranteed the entry of manufactured products through the Portuguese customs under advantageous fiscal conditions, as well as providing a trading outlet for Portuguese wine. Thus, both the colonial economy, reinvigorated by the new "cycle of gold", and these diplomatic negotiations succeeded in once again placing Lisbon firmly on the list of capitals that were highly attractive for the setting up of trading houses. At the same time, Portugal was placed within the orbit of English interests, as was constantly underlined by contemporary documentation drawn up by foreign observers, and as many more recent studies of recognized importance have also sought to illustrate.³

In the 1770s, there were 450 to 500 Portuguese merchants and roughly one hundred and fifty foreign trading houses in Lisbon, a city with slightly less than 200,000 inhabitants at the end of the 18th century (Pedreira 1995: 127). Unlike their Spanish counterparts, Portuguese merchants did not have a formal institutional organization. The *Consulado*, created in 1592, was closed down shortly afterwards, in 1605. So, the Portuguese merchant community might well have missed the beneficial effects of a formal representation whereby it could have decreased transaction costs (Ibarra 2000).⁴ Nonetheless,

3 Macedo (1966; 1982); Sideri (1978); Fisher (1984); Martins (1990); Cardoso (2003).

4 This particular short-lived outcome of the Habsburg consular experience in Portugal has been neglected by Portuguese historiography. The reforms of the Marquis of Pombal, who created the *Junta do Comércio* (the Portuguese Board of Trade), deserves a fresh appraisal in the light of its similarities with the Spanish institutional framework. For new readings on consular issues, making use of the

the costs of that institutional framework, a tax that had been levied for its maintenance, remained, and its records provide the limited data available in relation to Lisbon's customshouse that were not destroyed in the 1755 earthquake. The available series starts as late as 1751.

The presence of foreigners might have been less marked in Lisbon's trading houses than in those of Cadiz, where half of the merchants were foreign, most notably French (Pedreira 1995: 129). But these figures provide no relevant information about the prosperity of their respective businesses in each city. In fact, the balance of English trade with Lisbon was twice as favorable as its balance of trade with the city of Cadiz (Christelow 1947: 17). The War of the Spanish Succession has to be taken into consideration in assessing the importance of the English community within the social space of any of the main Portuguese cities (Fisher 1981; 1984). In a letter written in 1752, the ambassador Lord Tyrawly guaranteed Newcastle that "a great body of his Majesty's subjects reside at Lisbon, rich, opulent and every day increasing their fortunes and enlarging their dealings" (Lodge 1933: 225). Indeed, the first half of the 18th century represented a genuine "golden age" for English trade with Portugal, though the organization of this community into a factory had its origins in the 17th century. The war for the restoration of Portugal's independence from Spain had resulted in an Anglo-Portuguese alliance that established ample privileges through the treaties of 1654 and 1661, which would certainly have taken on even more wide-reaching economic overtones and perhaps acquired more important long-term implications in 1703. Despite the longstanding nature of this Portuguese-British alliance and the profuse diplomatic documentation describing the economic power of the members of the Lisbon and Porto factories, the data available for establishing the true size of this community are scarce and rather imprecise (Fisher 1981: 24). Around the time of the earthquake in 1755, a list of English residents in Lisbon contained the names of 155 merchants and 165 people involved either in the provision of services or in the retail trade (innkeepers, carpenters, tailors or shoemakers). Besides these two groups, with their clearly differentiated occupations, there was also mention of 13 widows of important merchants and

transaction cost approaches deriving from Douglass North's contributions to Economic History, see Hausberger/Ibarra (2003).

15 people without any occupation related to trading (Shaw 1998: 54). It is known that not all the members of the community enjoyed the rights established in the setting up of the factory, so that the number of Englishmen in Lisbon could quite easily have gone well beyond the numbers suggested by that census. Lord Tyrawly informed London that there were 2000 subjects of His Majesty the King of Great Britain and Ireland living in Lisbon in 1732 (Boxer 1969: 465).

There is a shortage of studies dealing with the Dutch and Italian communities. The Dutch are known to have been granted the same privileges as those afforded to the English during the War of the Spanish Succession, through a treaty signed in 1704. But French observers, who were always alert to the potentialities of the Portuguese market for providing them with identical privileges, painted a picture of Dutch trade in the first half of the 18th century that showed them to be in some difficulty in view of the competition that they faced from English manufactures. In fact, the only merchants of Dutch origin that were firmly established in the flows of colonial trade and the wine business were people who had long been settled in Portugal, such as, for example, the Van Zeller and the Pedroseem families (Schneider 1980: 133). Italians can also be found in the records of Portuguese gold flows, but little is known about the Italian community as a whole in Portugal.

Although not very extensive, the French community displayed clearer internal divisions than the English community. Amongst the French merchants, only a limited group, that of the elite, could be compared with the English in terms of the volume of trade which they enjoyed. From amongst the 34 or 35 houses that existed around the time of the earthquake in 1755, only five or six had any real importance (Labourdette 1988: 459, 498).

The presence of foreign communities in Lisbon, as in any other trading center, must be thought of as a device used for the development of business. Such trade diasporas were, however, part of cultural encounters that could frequently create a tension between the interests that encouraged social and political integration and certain mechanisms, most of them cultural barriers, that ran counter to this trend. Diaspora merchants needed contact with their hosts, but they also needed to keep their distance and retain enough of their original cul-

ture to be able to serve as brokers making the link between European markets and the host market (Curtin 1984).

The distribution of European goods in the Portuguese market was guaranteed by these foreign communities, who organized their agencies in such a way as to respond to the demand existing in Portugal, which was subject to the seasonal nature of the departure of Brazilian fleets. A substantial part of imports, namely English cloths, was re-exported to South America and, to guarantee the continuation of these flows, it was necessary to sell goods to the Portuguese merchants on credit.

Little is known about the way in which credit practices for these colonial markets were operated in Portugal. All that is available is some qualitative information, originating from England, which tells of the importance of these credit lines in guaranteeing the services of a clientele that would then become responsible for distributing the remainder of the goods imported to Brazil (Boxer 1969: 459; Maxwell 1973: 8). If many of these goods that were then transported by the fleets were bought on credit in the markets of Lisbon and Porto and if, in the view of the English agents, trade in Lisbon did not have a higher opportunity cost than in Cadiz (Christelow 1947: 4), then it is quite likely that in Portugal the organization of business did not differ greatly from the one that was practiced there, with the application of the rules of bottomry loans, in which interest rates could sometimes exceed 30% (García-Baquero González 1988: 483, 521-523).

The interest charged on the provision of credit was one of the ways of ensuring the profitability of the deals reserved for these foreign groups of brokers. Another of their possible sources of remuneration was the collection of commissions. Furthermore, English sources draw attention to the fact that many of those who were initially designated as factors, residing in Lisbon and only responding to the orders and instructions of their principals residing in England, found opportunities to branch out autonomously into other forms of business, namely re-exporting to other parts of Europe the goods that the Portuguese imported from Brazil (Fisher 1981: 28; Maxwell 1973).

Information produced by foreign communities residing in Portugal therefore characterizes the business controlled by Portuguese merchants as being limited to the distribution of goods in the Portuguese territories in the South Atlantic. This segmentation of markets is borne

out by the customs records, which consider the payment of a tax of 3% (the *Consulado*) charged on the value of imported goods. It should be noticed that those colonial goods that entered the country through the *Casa da Índia*, including those that originated from Brazil, were excluded from these records. An exception was made in the case of slaves that were brought to the city for domestic use.

Table 1: *Consulado* tax (1751): Lisbon customshouse

	N° of agents	%	Tax (in réis)	%
Foreigners	394	28.2	36,171,782	71.5
Portuguese	964	69.2	11,467,185	22.7
Unknown	36	2.6	2,929,009	5.8
Total	1,394	100.0	50,567,976	100.0
Average	-	-	36,275	-

Source: AN-TT, Alfândega de Lisboa, Consulado, 1751.

The importance of the trade controlled by the foreigners is clearly shown in the table and it becomes even clearer when the values above the average are taken into account. Above the average figure was a group of 126 importers responsible for a subtotal of 443,321,311 réis (85.6% of taxes). Amongst this restricted group of traders were 33 Portuguese; amongst the remaining 93 individuals were 5 importers whose origin is unknown, and 88 foreigners, who paid 32,048,154 réis (88.6% of the total amount of taxes levied on imports controlled by the foreign group). The Portuguese were therefore left with business that was frequently limited to the importation of slaves for domestic use and this explains why, despite the overwhelming number of agents engaged in the import business, this involvement is not proportionally reflected in the amount of tax paid.

A good deal of import flows required the exportation of gold, which was legally forbidden but accepted as inevitable by the political authorities, showing the ambiguity of the normative universe of the *Ancien Régime*. These illicit flows had their own informal institutions, where decorum and discretion played a significant role. The ambassador Lord Tyrawly condemned the indecorous manner in which any English ship that entered the port of Lisbon, particularly cod-fishing vessels arriving from Newfoundland, would seek to arrange a charter

for the transport of gold coins. For the ambassador, this undisguised form of smuggling, frequently accompanied by truculent and arrogant behavior, blemished the reputation of the community:

indeed, if there was no other method for us to send it home, it would be right, but we have our packets that go constantly and merchant-men that usually attend the Lisbon trades, that are fully sufficient to carry our balance home, and both these have their plausible pretence of coming here, the packets with our letters, the merchant-men with our goods; besides that the officers and even the sailors of these are so acquainted with the nature of the place that they know how to go about this business privately and discreetly (Boxer 1969: 466).

Even amongst the merchants of the English factory, there was a lack of appropriate discretion. The ambassador was surprised by the behavior of certain merchants who spoke publicly of the cash that they had embarked on ships setting sail for England, “[with] as little secrecy [they] send it on board as they do a chest of oranges” (Boxer 1969: 468). These improper displays of ostentatious behavior gave rise to imprecise information that began to circulate in the press (Boxer 1969: 468) and, for this reason, there may have been a surprise when, in 1769, the minister Lyttleton and the Board of Trade undertook a detailed review of the balance of Anglo-Portuguese trade for previous years and discovered that both the volume and the surplus of the English balance of trade had been regularly exaggerated in the popular mind (Christelow 1947: 17). Even so, the trade with Lisbon remained the most promising avenue in terms of access to precious metals, not only because it was the main outlet for Brazilian gold, but also – as will be revealed later on – because it enabled Spanish silver to arrive at the port of Lisbon.

There is a clear need for a reappraisal of this segmentation between the European and colonial markets. As far as the presence of foreigners in colonial trade is concerned, the diplomatic framework led to differences in the Portuguese and Spanish systems. The English were given permission to charter ships that formed part of the Portuguese fleets, as well as to maintain four permanent trading houses in Rio de Janeiro and Bahia and to have consuls in these same places. Similar freighting concessions were also achieved by the Dutch with the treaty of 1641. But conflicts between the Netherlands and Portugal meant that these advantages could not be made use of after 1645 (Mello 2001). The rules of the Portuguese monopoly over colonial

trade contained yet another feature that clearly distinguished it from the Spanish system: the absence of any restrictions on participation in the flows of colonial trade through the use of the Portuguese fleets sailing between Lisbon and the Brazilian ports, a guarantee that was given to foreigners of any nationality.

Such a facility has not been afforded the necessary attention on the part of Portuguese scholars, who have been concerned, above all, with demonstrating the segmentation of markets and merchant organizations (Pedreira 1995). Indeed, this possibility may well have prevented the occurrence of what was happening in the neighboring country of Spain, where the participation of non-nationals had to take place in a dissimulated fashion, through the well-known recourse to the services of cover-men, or through slower processes of naturalization (Christelow 1947; García-Baquero González 1988; McFarlane 1993).

However the Portuguese government tried to reduce such diplomatic advantages by imposing systematic restrictions on the right granted to the English to remain in the colony. Without countermanding the principles established in the treaties, the “passive resistance” (Pijning 1997: chapter 1) of the Portuguese Crown ended up achieving the main goal: foreign merchants became obliged to use Portuguese agents as middlemen as a result of the regular expulsion of their factors, who were still residing in Brazil. The reaction of the English factory to restrictions on their previous freedom in dealing with Portuguese colonies (Boxer 1969) is clear evidence of their interest in operating directly with Brazil, through English agents residing there.

It is therefore important to investigate how this legally-permitted participation in the flows of trade with Brazil was made use of. Such an approach is made possible through the reading of the *Livros de Manifesto*, the records of the gold that was legally transported from Brazil, which were surveyed at the Lisbon Mint after fulfillment of the appropriate formalities.⁵ The year 1751 was chosen as sample, since it permitted a crossover of information with *consulado* records previously analyzed.

5 For more information about the characteristics of this source and their potentialities for analysis: Godinho (1950); Boxer (1962); Russell-Wood (1983); Costa/Rocha/Sousa (2002).

During 1751, the year when the fleet from São Salvador da Baía was not included in the records, remittances of gold arrived from Rio de Janeiro and Pernambuco destined for 1852 recipients⁶ and amounting to 3,143,726 \$218 *réis*. Amongst those 1852 recipients, there were just 126 (6.8%) foreign names.⁷ The value of the gold received by the latter group corresponded to 4.6%. A close analysis of the distribution of the values of the remittances amongst all the private agents (Costa/Rocha 2007) highlights two central aspects: a) the extremely scattered distribution of small amounts (75% of recipients received 25% of the overall amount withdrawn from the mint); b) the concentration of the remittances in the hands of a restricted group of agents (229 agents – 12.4% – received 57.4% of the gold). Included within this restricted group of agents, which, for the sake of argument, we can refer to as the “elite” of the recipients of gold, were 13 foreigners. In other words, the overwhelming majority of non-Portuguese merchants received amounts of gold that were below the average value of the remittances.

An analysis of the remittances of gold that arrived in Lisbon in different years, particularly in 1731, confirms such a limited participation of foreign merchants in trade flows with Brazil, which was detected 20 years later: 7.4% of private agents were foreigners and the amounts that they received represented 6.8% of the total of gold brought by the fleets in that year. Nonetheless, smaller amounts may not be a synonym for weakness in trading with Brazil. Highly valuable cargoes were sent to the colony and sold there on credit to a wide range of merchants, who reimbursed the creditor in so far as their own business allowed them to do so. In fact, the whole system of trade was based on a cascading chain of credit, much of which was difficult to recover, as the main creditors frequently complained (Alden 1975). Feliciano Oldenberg, born in Hamburg, who arrived in Lisbon at the age of 19 and was then employed as a clerk by foreign merchants, is a

6 This number excludes the remittances destined for the Crown and those private agents (84 recipients) who were not identified by name in the source. The total amount of gold shipped in these two fleets was 5,255,9753 \$5946 *réis*, that is, 10,795 tonnes of gold or £1,423,166) (3.693 *réis* = £1). For different estimations of the gold arriving in Lisbon, which take into account different documentary sources, see Pinto (1979), Morineau (1985) and Costa/Rocha/Martins (2010).

7 All those who did not have a Portuguese name were identified as foreign agents. Some of these are known to have become naturalized as Portuguese.

case that clearly illustrates the economic rise and subsequent integration of foreigners into Portuguese society. He also highlights the participation of foreigners in colonial trade by shipping highly valuable merchandise, whose reimbursement involved the sending of small amounts of gold distributed amongst the different fleets. The list of Oldenberg's debtors clearly illustrates this situation.⁸

No matter how limited the amounts of gold received were, there was a fringe group of merchants, essentially composed of foreigners that were involved in the whole flow of goods linking the European and the colonial markets. Only on rare occasions did Portuguese merchants belonging to the Lisbon customs take part in Brazilian trade in 1751. Alberto Borges, the largest Portuguese importer of European goods at the customs, was the paradigmatic example of this situation and he too, just like most of the foreigners, did not belong to the list of the "elite" of the recipients of gold. Hence, the vast majority of transactions with Brazil were in the hands of the Portuguese merchants, who seemed to have no notable connections to European markets.

The social segmentation of these global flows suggests that cultural differences contributed to reinforcing the political aim of keeping the foreigners away from the colonial monopoly. However data provide evidence of foreign merchants shipping their capital in the Portuguese Brazilian fleets. It should be questioned if the forms of agency involved were substantially identical to those adopted by foreign merchants in Cadiz, who were supposed to have used traveling agents as cover-men. In the Portuguese colonial trade, one may also find the figure of the traveling agent representing a form of agency that answered quite well to the needs of a business based on long-distance demand. For this reason, traveling agents were not a device used exclusively by foreigners (Costa/Rocha 2007). At the same time, resident agents were not a distinguishing feature in the organization of Portuguese business. Although trust was certainly a major factor, and although cultural identity reinforced bonds of trust (Nee/Sanders 2003), foreigners were forced to learn how to deal with Portuguese agents. Perhaps relying on agents who had to sail to and fro in the same fleet might have been thought of as limiting their chances of committing fraud incurring moral hazard. Since the use of the services

8 AN-TT, *Junta do Comércio* 38, março 10.

of either a mobile or a resident agent was a choice shared by both groups trading in Brazil, the difference separating national from foreign trade organization is instead to be found in the setting up of a network providing multiple relationships and numerous agents in the same port. While foreigners resorted, above all, to just one sender in the colony, the Portuguese traders belonging to the "gold elite" were more significantly involved in multiple relationships (various agents in Brazil sending gold to various recipients in Lisbon).

The establishment of a wide range of contacts was, in fact, a possible strategy amongst Portuguese merchants that was not so easily accessible to foreigners. The diversification of links and the establishment of more than one agent in Brazil are clearly documented through the well-known case of the trader Francisco Pinheiro (Alden 1975; Donovan 1990; Furtado 1999). When he opted for a fixed agency in the colony, he made connections with several agents simultaneously, being conscious of the many frauds that these perpetrated readily and frequently. Even though his preferred option was to send correspondents that were his relatives (a brother, a godson and a nephew), and even though the control that he exercised was kept as tight as possible (as can be seen from the correspondence full of instructions that he exchanged with them) (Donovan 1990: 259-283), still the agents took advantage of the colonial market conditions for their own benefit due to common agency problems stemming from asymmetric information.

However, sending to Brazil agents in whom one could place greater trust, even though it was known that such trust was frequently broken, was a mechanism that foreigners had greater difficulty in arranging. With a more restricted group of relations and with legal constraints that prevented the establishment of agents of their own nationality in the colony, their possibility of choice was reduced and, consequently, trust was a scarcer resource. This is a reason for the lower number of contacts established by foreigners in the colony. Such a handicap forced them to choose their Portuguese agents carefully and selectively.

3. Conflict of interests

The everyday scene that the King Dom João V was able to witness from the window of his palace close to the River Tagus must have caused him some consternation. Constantly sailing out of the port of Lisbon were ships laden with precious metals and heading for England (Boxer 1969). Although there was undeniably room enough to allow for some exports, which were an essential counterpart for guaranteeing the imports that were so necessary for Portugal, this excess exportation of precious metals was certainly a cause for concern. The law decreed a ban on the export of precious metals, but at the same time their flow out of the country was seen as inevitable. For this reason, whenever there was any seizure of gold, which was the most abundant of the two precious metals in Lisbon, the English complained that such action was totally unjust, arguing that they were merely exporting money that naturally resulted from the “balance” of their trade.⁹ The Portuguese, however, evoked the law, claiming that these were cases of smuggling. It should be noted that the English themselves had no interest in seeing this legislation altered. When an attempt was made to normalize what was inevitable, in other words when the Crown sought to introduce a 3% tax on the exportation of gold, there was widespread resistance to such a move (Christelow 1947: 7). Clandestinity or the illicit side of such transactions brought its own distinct advantages. Because of the immunity offered to their packet-boats, the English monopolized transport and offered to provide freightage services to the Dutch and French, or else they would exchange the gold for bills of exchange, which provided them with the chance to make a profit twice over and, at the same time, contributed towards London’s consolidation as an important financial center (Shillington/Chapman 1907: 249).

This smuggling of gold is not the main topic here. Rather, the main issue here is the analysis of other kind of interests that also operated beyond the limits of legality, involving merchant networks in the trading of precious metals between the colony and the metropolis. It is known that untaxed gold arrived in Lisbon in quantities that it is im-

9 “Memórias do Cônsul e Factorias Britânica na Corte de Lisboa ao Embaixador de Sua Magestade Britânica na mesma Corte e às Secretarias de Estado deste Reino”, BNL, CP 93.

possible to determine precisely. In some cases, this was gold that had escaped payment of the tax levied on its production in the colony of one fifth of its value (Boxer 1969: 461, 465); in other cases, it was metal that had escaped the tax of 1% that was charged on its transport (decree of February 1, 1720). Whether it was camouflaged in sugar-chests (Boxer 1969: 461) or transported by other artifices, the smuggling of gold was a breach of the law that involved trading at prices that were lower than the legally-established value (Alden 1968: 329). But it was not only gold that circulated in the fleets sailing between Brazil and Portugal. Silver, which also left Lisbon in the same English vessels that had so disturbed the King, arrived in Portugal as a result of the illegal trade carried out through the Colônia do Sacramento (Maxwell 1973: 8-9). Such silver was the fruit of smuggling, but on this occasion a form of smuggling to which the Crown lent its active support.

The establishment of the Portuguese in areas close to the River Plate, achieved in 1680 with the foundation of the Colônia do Sacramento, was intended to give greater dynamism to trade with Brazil, by then faced with a crisis caused by the decline of the sugar trade. Nevertheless, this new Portuguese colony became above all a gateway providing access to the Spanish silver essential to the Portuguese realm. The trade that was carried out from there was far too important for the merchants of Brazil and the metropolis to even think about losing the Colônia do Sacramento as a result of the systematic military threat from the Spanish (Almeida 1973: 136-145).

The interest that Portugal placed in this region was shared by other European powers, especially those that found in the colony an outlet for their manufactures and a gateway to the vast regions of the Bourbon Empire, receiving, most importantly, silver in return. On the other hand, in these dealings, the Spanish population living on the other side of the River Plate, in Buenos Aires, found European commodities being supplied at lower prices than in the official Spanish trade, which originated from a long distance away in Lima. These were therefore sufficient reasons for the development of an intense smuggling activity that transformed the southern region of Brazil into an economic complex formed by the various trade routes connecting Rio de Janeiro, the Colônia do Sacramento and Buenos Aires to the international flows. This was a business in which both Portuguese and for-

foreign trading houses played an active role. The correspondence exchanged between the merchant Francisco Pinheiro and his agents in Brazil not only illustrates the main features of this trading activity, but also shows how heavily foreign enterprise depended on certain local networks.

In 1722, José Meira da Rocha was sent to the Colônia do Sacramento as an agent for two Italian merchants residing in Lisbon, Egneas Boroardi and Paulus Hieronimo Medici. Three years later, Meira da Rocha proposed a partnership to Francisco Pinheiro. The high rates of profit provided by the sales, which could be as high as 100%, justified the expansion of trading activities into this region, all the more so when the payment of goods was effected here in cash, thus avoiding the use of credit, which was the most common practice in other parts of Brazil. In view of the well-known difficulties arising from the collection of debts, the ready payment of the goods transacted was undoubtedly a considerable added advantage (Possamai 2006: 352-355). The formation of such a company would bring together both Italian principals, Meira himself, two other Portuguese merchants residing in Lisbon and yet two others residing in the Colônia do Sacramento. Once the partnership had been accepted, the subsequent correspondence highlights the role that the Colônia do Sacramento played alternately as an outlet for either leather or silver, depending on the state of the market in Lisbon and Europe. In 1725, Pinheiro asked his correspondents to send leather, but in 1728, and again in 1730, he requested that they send only silver and not leather due to the low price at which this commodity was then being transacted (Possamai 2006: 366-367). On the other hand, the goods that were being sent to the colony were, above all, textiles, thus fulfilling the predictions of a Portuguese sergeant-major at the beginning of the 18th century:

The people of these Indies, being rich in silver, are extremely poor in clothes; having the road open, the remedy at their doors and the naturally urgent need, and seeing themselves without hindrance and free of fear, they will send us silver to clad themselves in our clothes (Almeida 1955: 46).

Rio de Janeiro served as the gateway for the arrival of merchandise originating from Lisbon, thereafter acting as the distribution center for

these same goods southwards, depending on the conditions of the market (Possamai 2006: 372).

The case of Egneas Boroardi and Paulus Medici is one among many others that can be used to illustrate how foreigners could exploit the opportunities provided by the Portuguese colonial empire, using either fixed agencies or traveling agents. Beroardi, operating either individually or in association with other merchants, was one of the recipients of gold recorded in the *Livros de Manifestos* in 1731 and 1741, while in 1751 there arrived a fresh amount of this metal now recorded in the name of his heirs.¹⁰ It is therefore clear that records of gold flows, linking Brazilian ports to Lisbon, were just part of a wider world of transactions that also involved payments made in silver.

Feliciano Velho Oldenberg provides yet another example of the participation of foreigners in the Portuguese colonial trade, partly with the aim of gaining access to the South American silver-producing region. He was one of the main importers registered at the Lisbon customs house, having invested 400 *contos* in shipments, between 1748 and 1754, destined not for Rio de Janeiro, but for Buenos Aires.¹¹ Although Feliciano Oldenberg is not listed as a recipient of gold in 1751, for reasons that probably derive from the random nature of any sampling technique, he is recorded as such in 1721 and 1731. His preference for Sacramento did not therefore exclude him from the gold circuits.

As stated above, foreigners had a more limited number of connections in Brazil. An analysis of gold remittances involving foreigners in Lisbon, as well as of the respective relationships between senders and recipients, shows that 24.6% of remittances were despatched by a single Portuguese sender who had several foreigners in his networks. Elias Perochon, Cristiano Fhope Anuche and João José Chamberlain shared the same agent in Rio de Janeiro. Cristiano Frezy and Felisberto Coullisier had a common agent in Pernambuco. Van Zeller, Drekey and Inácio António Henhel, operating in trading houses located in Porto, received gold sent by Tomás Pinto da Silva. It there-

10 The indication of these years does not in any way mean that there were no receipts of gold recorded at other times. Under the scope of the research project to which this text is intrinsically linked, the only records surveyed were the complete records of the fleets in the years 1721, 1731, 1741, 1751 and 1761.

11 AN-TT, *Junta do Comércio* 38, maço 10.

fore seems possible to identify individuals who polarized relationships in Brazil and were particularly well-connected with wealthy merchants, including several renowned foreign trading houses. Perhaps information about the reputation and social capital of these agents was an important factor in assessing their performance of this role. Manuel Pereira do Lago, another Portuguese merchant who sent gold for foreigners in Lisbon, serves as an example of this. He was appointed administrator of the exchequer of the Colônia do Sacramento on June 20, 1731 and, in 1736, he was made captain of one of the local militias. In 1749, he moved to Rio de Janeiro after being appointed administrator of the exchequer of this captaincy.¹²

This crossover between militias, local administration and merchant networks is nothing new. The process has been fairly well documented and studied in the case of Spanish America (Moutoukias 1988). The administrative structures that exploited the flexibility of the frontiers between what was legal and illegal formed a colonial system based upon the tolerance of a certain amount of venality (Feliciano Ramos 1990; Pijning 1997). However, the networks that sustained smuggling in the areas on the fringes of the empires have been poorly studied from the Portuguese viewpoint. The remarkable studies on the history of Colônia do Sacramento (Almeida 1973; Cortesão 1954) have looked at smuggling from the viewpoint of the diplomatic tensions existing between the Iberian states in the region, seeing it more as a political issue than as an organized activity that was subject to its own economic rationale.

There is therefore a lack of studies making it possible to establish a framework into which we might fit such cases as that of Manuel Pereira do Lago, whose importance in this context might not have lain in his potential venality. Instead it might have been rooted in the social capital (Lin 2001) that he had accumulated in Colônia do Sacramento, making contacts that would later have been useful for doing business in the region. Thus, the case of Pereira do Lago provides some useful pointers for reflecting on the interest that foreigners clearly had in being represented in Brazil through individuals whose social capital had been built up in the silver-producing regions. Some

12 "Chancelaria de Dom João V", AN-TT, v. 125, book 80, p. 181; v. 126, book 92, p. 389 back; v. 125, book 118, p. 255 back.

other personal experiences shed light on agents who resided in Colônia do Sacramento, providing evidence that these individuals were much more than simple dealers who enjoyed connections with important merchants in the realm. José Ferreira de Brito¹³ followed a similar trajectory to Pereira do Lago. He was also a captain of the militia in Colônia do Sacramento, just as his father had been. During the course of his appointment as a captain, he also had a shop where he acted as a wholesaler. Anacleto Elias da Fonseca¹⁴ lived in Rio de Janeiro and shipped commodities both to Colônia and to Angola. Antônio Borges de Freitas¹⁵ also stayed for some years in that same southern region before choosing Rio de Janeiro as his place of residence.

There are several personal stories showing the excellent connections that a few agents in Brazil enjoyed both with foreign traders and with the elites of Colônia do Sacramento. Those agents who had foreigners in their networks, whether they were resident in Brazil or acting as traveling agents, belonged to organizations that involved their principals in all stages of the distribution of goods. In view of the fact that the tax system penalized such initiatives, it is necessary to discover the factors that lay behind such choices.

In the Portuguese colonial system, if we take a close look at the first half of the 18th century, the exclusive monopoly of trade with Brazil was not part of a policy designed to promote national manufactures. It was, instead, a way of obtaining customs revenue, in which the re-exportation of European manufactures, and English manufactures in particular, accounted for the lion's share of such taxation. The protection of the colonial market thus followed a logic of tax collection (Klaveren 1969: 150) which considerably increased the prices of the goods in circulation.

An import tax of 26% was levied on European products coming into Portugal, except for goods arriving from England and Holland, which, due to the advantages afforded under the terms of the treaties of 1654, 1703 and 1704, paid tax at a rate of 23%. A further tax of 3% (the so-called *Consulado* tax) was also added to these amounts, paid

13 AN-TT, *Habilitações à Ordem de Cristo*, Letra J, maço 30, n.14.

14 AN-TT, *Habilitações à Ordem de Cristo*, Letra A, maço 5, n. 2.

15 AN-TT, *Habilitações à Ordem de Cristo*, maço 138, n. 2267.

whenever goods entered or left the port. Once they had been unloaded at Brazilian ports, the products were again taxed at 10% of their value. One of the main sources of revenue from the taxes levied by the central administration was the compulsory transshipment of imported goods at Portuguese ports, which, in turn, justified the transactions made between different groups of traders who shared responsibility for distribution at each of the separate stages in the shipment of goods. Or, in other words, this division of the market amongst different economic operators corresponded to a sharing of the tax burden.

In fact, in a system in which the market was far from integrated and in which the prices at each of the points of transshipment reflected a multiplicity of factors that went far beyond simple variations in supply and demand (Mathias 1987), this division of the various stages in the trading flows amongst different operators might well have resulted in a reduction of both the risks involved and the tax burden. Prices in Portugal and Brazil exhibited stability in the long run (Sousa 2006: 195; Alden 1990). They nonetheless continued to be subject to short-term variations determined by the pace of the fleets. Such occasional volatility allied to the heavy tax burden, could reduce expected profits. In fact, for a trading company to be involved in all the stages of distribution, from the European markets to the mining world in Brazil, the arbitrage premium would have to compensate for a tax burden of around 40%. Such a strategy called for a rationale that was based on expectations of extraordinary profits and thus incompatible with the competition of distinct organizations that would lower the prices by increasing the supply of foreign cloths. The formation of global networks was only justified so long as the business offered the promise of an extraordinary profit, a quasi-monopoly rent, whether this was achieved through smuggling or through the diversification of strategies that would include the arbitrage of precious metals. In this way, the multinational networks were formed not only in order to gain access to gold – which, in any case, would always be obtained as a form of payment for transactions undertaken solely in Lisbon – but, particularly, to silver.

The advantages of this silver business were limited when the Colônia do Sacramento market was inundated with goods shipped directly from England. The English smuggling developed under the cover of the *asiento* competed with Portuguese organizations in

Colônia. Meira da Rocha, who was an agent of Francisco Pinheiro, Beroardi and Medici, frequently complained of the English illegal presence. In 1726, for example, he referred in a letter to Lisbon to the difficulty in ensuring the flow of Portuguese goods by virtue of the arrival there of the ship named the *Duke of Cambridge*, which, after the pressure exerted by the authorities of Buenos Aires in their attempt to prevent the smuggling of goods, had decided to leave this latter port. Moving to a region close to Colônia do Sacramento, but strategically out of reach of the Portuguese cannons, it intercepted the Spanish longboats heading for Colônia. The English audacity reached the point of sending out cutters in search of the Spanish, inviting them to come aboard and bargain. At the same time, they impeded the Portuguese business carried out in the shops in Sacramento by informing the Spanish smugglers of the lower prices that they were charging (Possamai 2006: 389-391). This was therefore a form of competition that was being carried out at the level of prices, as if it were an unregulated market.

Multinational networks, with the presence of agents in Colônia do Sacramento, were therefore, together with the exclusively Portuguese networks, the organizations that considered themselves to be the most heavily penalized by smuggling. The correspondence of Meira da Rocha continues to be crucial for illustrating, in this way, the denunciation that was made of English smuggling and the pressures exerted for combating it. The opposition between the traders based in Colônia and the governor is recorded in an exhaustive fashion in the letters exchanged with Lisbon. According to Meira da Rocha, the governor displayed an attitude that was too accommodating towards the officers of the English ships, who used different forms to carry out the smuggling that caused such disturbance to business in this region. Invoking the need for taking supplies on board, the ships remained close to Colônia and ended up unloading goods that had come directly from England and whose price had not been increased by the tax burden imposed under the Portuguese colonial system. In this way, they impeded the flow of identical cargoes that had been received from Rio de Janeiro, having arrived at a higher price. Meanwhile, not only did the governor not do anything to limit such activities, but he even invited the English captains ashore and entertained them with banquets. As a result of one of these episodes, a petition was sent to Lisbon signed by

all the traders in Colônia, requesting that measures be taken against the English smugglers and that the governor be dismissed. It is interesting to note that Meira da Rocha used his links with Francisco Pinheiro, Beroardi and Medici, people who enjoyed good relations with the central administration and who had him placed in Sacramento as an agent for the illegal silver trade. Meira da Rocha sought to ensure that this petition reached the hands of the King himself, sending the missive via three different routes – Rio de Janeiro, Salvador and London.

Ironically, the petition did in fact arrive in Lisbon via an English ship. It was duly subjected to the consideration of Meira da Rocha's partners, who decided, however, not to make it known to the king. According to Pinheiro, it could cause more harm than benefit to the business in the colony; in Beroardi's opinion, the whole affair was an "indecorous" one (Possamai 2006: 393-394). Of course, this problem was seen differently by the governor. His version of events reveals the constraints arising from the intricate diplomatic situation of the period. When the captain of the *Duke of Cambridge* asked him for permission to unload goods in Colônia do Sacramento, he excused himself by invoking the "strict orders that the governors of America and the conquests have regarding foreign vessels" (Possamai 2006: 390). On another occasion, on receiving a recommendation from the governor of Buenos Aires to impede the supply of the English ship since this ran counter to the stipulations of the Treaty of Utrecht, he answered that "according to the orders of my master the king it was impossible not to provide the hospitality that is permitted to nations with whom he considers himself to be at peace" (Possamai 2006: 390). On third occasion, he suggested to the king that he should thank the president of the English *asiento* for the favors rendered to Portugal during his stay in Buenos Aires, probably referring to information that had been provided denouncing Spanish military manoeuvres (Possamai 2006: 397).

The complexity that was to be found in the relations between nations also determined the nature of the relations existing within trading organizations. In opposition to the direct trade between England and the River Plate region, there appeared the multinational networks that joined the Portuguese traders in Colônia do Sacramento to other Portuguese and foreign traders established in Lisbon. The diplomatic protection afforded to the English who were resident in Lisbon, allow-

ing them to take part in the fleets transporting gold, was used to achieve the same goal that their compatriots had when they set sail from London directly for Buenos Aires in order to obtain silver through contraband activities. The two strategies, dependent on different organizations but involving agents of the same nationality, competed with one another.

4. Conclusion

The analysis of the trading organizations involved in the flows of gold provided data that led us to question the institutional factors discouraging the formation of global networks and the way in which specific advantages arising from certain diplomatic contexts might help to remove these obstacles. The basic line of research followed in the demonstration of such an argument is stressed in this conclusion.

The logic of colonial pacts promoted a taxation system that encouraged the sharing of the different stages involved in the distribution of goods. The data provided by the Lisbon customs house illustrate this division of markets and of merchant organizations, with the foreign communities based in Lisbon playing the main role in the importation of goods originating from Europe. The development of global networks, which joined together the whole of the business involved in the distribution, importation and re-exportation of goods to Brazil, was made more difficult by the system of an exclusive monopoly over colonial trade.

However, the diplomatic concessions afforded to the English by the treaties of 1654 and 1703 opened up the Portuguese colonial trade to these foreigners and gave them the opportunity to form multinational networks that were faced with competition from the smuggling activities undertaken by members of the same nationality. In this way, the division of interests did not take place along the lines of different nationalities and therefore different levels of access to the privileges of the colonial pact, but instead depended on the level of control of the channels providing access to precious metals.

The existence of two distinct forms of smuggling resulted in competition between them which led to denunciations and the request for intervention on the part of the central administration in order to keep

away the English who traded directly from England with the River Plate region.

In such areas where the borderline between different forms of illegal trade was relatively indistinct global networks were easier to find. In an international system that was fragmented in the form of exclusive national spaces, such networks highlighted a paradox: on the fringes of the colonial empires, the State found in multicultural networks the best allies in the defense of the colonial pact. The main aim of this article has been to make these networks visible.

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